

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 27 April 1978

CG NIDC 78/098C

NATIONAL SECURITY INFORMATION
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State Dept. review completed

DIA review(s) completed.

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National Intelligence Daily Cable for Thursday, 27 April 1978.

The NID Cable is for the purpose of informing senior US officials.

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SYRIA-LEBANON: Rotating Forces

*[redacted] // [redacted]
[redacted] Syria is preparing to rotate its forces in Lebanon with units from Syria early next month and is thinking of reducing its armored and infantry brigades in Lebanon from*

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DIA

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six to four. Damascus would probably like to return some of its forces to the Golan Heights to strengthen its capabilities against Israel. The Syrians are concerned, however, about the tense situation in Lebanon and will not want to weaken their ability to respond forcefully to any new clashes between Syrian units of the Arab Deterrent Force and Christian militiamen.//

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25X1 [] / [] Syria's 3rd Armored Division, currently located some 40 kilometers northeast of Damascus, will replace the 9th Infantry Division, which will return to its home garrisons in the central sector of the Golan Heights. Two independent brigades attached to the 9th Division will also return to Syria during the rotation and will not be replaced. We cannot confirm the troop reduction report, but the Syrians have periodically rotated their forces in Lebanon over the past two years.//

25X1 [] //Israel would view any Syrian force reduction in Lebanon with mixed feelings. It would be pleased to see a lessening of a potential Syrian threat to its border with Lebanon but it would be concerned about Syria's ability to control Palestinians in Lebanon. The return of forces to Syria also might prompt Israeli concerns that the move was a first step toward increasing Arab-Israeli tensions.//

25X1 [] Damascus may also want to be prepared for any heightening of tensions on the Golan Heights next month, when the mandate for the UN peacekeeping force there comes up for renewal.

25X1 [] Nonetheless, the Syrians are well aware of the need to keep their forces in Lebanon strong enough to respond effectively to any developments. The US Embassy in Damascus reports that Syrian President Asad is deeply concerned about the growing Christian unhappiness with the Syrian and Palestinian presence in Lebanon. The official Syrian newspaper *al-Baath* warned the Christians yesterday about "plots" aimed at partitioning Lebanon or at driving out the Palestinians.

25X1 [] Asad is particularly disturbed by National Liberal Party leader Camille Shamun's criticism of the Syrian role in Lebanon and the hard-line influence of Shamun on Christian

politics. Syrian Foreign Minister Khaddam told the Embassy that Shamun is the "number one problem" in Lebanon and a "bandit without character."

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[] The Syrian President suspects that Shamun's goal is to maneuver Syria out of Lebanon by renewing the civil war in the hope of stimulating Israel to intervene on the Christians' behalf. The Syrians are aware of the continuing contacts between the Israelis and Christians, and Damascus believes these contacts are directed against Syria.

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[] We believe the Syrians will try to avoid a confrontation with the Christians. Asad has encouraged moderate Christian leaders such as former President Franjiyah to urge restraint on Shamun and the Christian leadership. The Syrians would prefer to avoid a major crisis in Beirut that would give Israel an excuse to intervene in the fighting or prolong its occupation of southern Lebanon.

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[] //If the Christians try Asad's patience excessively, however, the Syrians would probably opt for a quick military solution either to try to destroy the militias' fighting power or to force the Christians into submission.// [] 25X1

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PORTUGAL: Financial Situation

[redacted] Recent moves by international lenders to ease Portugal's financial situation reflect growing confidence in the

country's economic prospects. The Portuguese Government, however, is still negotiating conditions for a loan from the International Monetary Fund that is crucial to the release of other funds, and the government may have difficulty implementing planned austerity measures.

25X1 [] Several new developments will aid the Portuguese in their efforts to improve the economy:

-- The Bank for International Settlements has agreed that Portugal can defer payments on loans falling due this year and thereby improved Lisbon's chances of refinancing other external debts and slowing the drawdown of its gold and foreign exchange reserves.

-- The World Bank will consider providing a \$120 million loan to finance irrigation, fertilizer, and transportation projects; it has already granted a \$40 million loan to extend Lisbon's water supply network.

-- A consortium of foreign banks is assembling a \$240 million package to finance imports by Petrogal, the Portuguese national oil company.

25X1 [] Prime Minister Soares' government has gone far toward satisfying IMF conditions for a \$50 million loan; an agreement with the IMF would trigger the release of a major portion of a \$750 million international loan package. Lisbon already has enacted stricter budgetary controls, increased prices significantly, and tightened credit. The Fund and Portuguese officials still must work out the size of interest rate hikes and escudo devaluation.

25X1 [] The government faces tough going in carrying out its economic stabilization program. Plans to curb public spending hinge on the government's ability to limit subsidies to industry. About 90 percent of the companies taken over by workers during the 1974 revolution are running at a loss. Most have remained open only because the government has guaranteed repayment of their loans.

25X1 [] Lisbon appears to be having some success in urging wage restraint; workers reportedly are pressing for much smaller pay increases than in previous years. Protests by government employee unions are subsiding as a result of progress in contract negotiations.

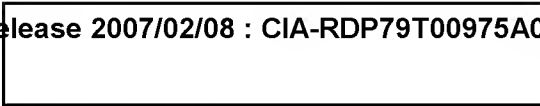
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[] Resistance to Soares' austerity programs seems to be strongest among Communist-dominated workers' groups, conservative northern businessmen, and housewives who are feeling the pinch on purchasing power and credit. These groups, however, are not pressing their objections too hard, and opposition politicians continue to be distracted by recent shake-ups in the military, Azorean separatist activities, and the infighting among Portugal's rightwing groups. []

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USSR-US: Chemical Equipment Sales

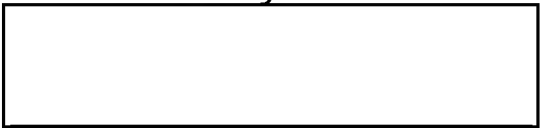
[Redacted] Soviet orders of US chemical equipment and technology dropped sharply in 1977 to their lowest level since 1972. The slide in US sales--from \$350 million in 1974 to \$46 million in 1977--reflects in part the availability of more favorable credit terms by Japanese and West European suppliers.

[Redacted] Total Soviet chemical equipment orders from all Western suppliers dipped only slightly in 1977, to \$1.6 billion, and accounted for nearly half of all Soviet orders of machinery placed with hard-currency countries. Major purchases included a \$275 million contract with the UK for two methanol plants and orders for large plants to produce chemicals used in oil recovery.

[Redacted] The Japanese made the largest chemical equipment sale to the USSR last year--a \$380 million deal for 10 ammonia and three multinutrient fertilizer plants. The Soviets have purchased 40 large ammonia plants from Western countries since 1969. Most of these plants incorporate US technology, but only four were purchased from the US. [Redacted]

USSR: Reactor Sales to West

[Redacted] The Soviets are incorporating additional safety features in their nuclear reactors to make them easier to market in the West. A large new reactor fabrication plant near Volgondsk will be complete in the early to mid-1980s.



25X1 [] The Soviets are including an emergency core-cooling system and a containment building in a modern, 1,000-megawatt, pressurized-water reactor, the first of which is nearing completion at Novovoronezh. They are also making greater efforts to inspect the metal and weld joints, where defects have occurred in other reactors.

25X1 [] The USSR is actively seeking reactor safety technology from the West. A Soviet delegation recently visited nuclear plants in the US and was given technical data relating to safety. The Soviets are also trying to acquire--through the Yugoslavs--US technology on containment design.

25X1 [] The USSR does not now have the capacity to manufacture reactors or reactor components for export. The Soviets are expanding the plant where reactors and components are now made, however, in addition to building the new facility near Volgodonsk. The latter facility will be the world's largest for the manufacture of reactor components. [] 25X1

KOREA: Reaction to Troop Change

25X1 [] *Seoul has reacted positively to the US decision to slow its schedule for withdrawing the first brigade of combat troops from South Korea, while Pyongyang has reacted with predictable, but relatively mild, criticism.*

25X1 [] The South Koreans have strongly endorsed President Carter's decision. Foreign Minister Pak Tong-chin on Tuesday characterized the move as "reasonable and realistic"; spokesmen of both the ruling and opposition political parties have also reacted favorably. Press commentary was positive as well.

25X1 [] South Korean officials, however, are expressing concern about the lack of prior consultation on the decision and have reiterated their interest in having some compensating military aid approved by Congress before one battalion is withdrawn in late 1978. The press has been careful to point out that the US is not reversing its basic policy on withdrawal, but several newspapers in Seoul--apparently reflecting the government's views--are expressing the hope that the US will fully reassess that policy.

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[] North Korean reaction to date is confined to low-level, nonauthoritative statements; their principal theme is that the US withdrawal plan is a "smokescreen" behind which Washington is building up its military support for Seoul. Except for a clandestine broadcast to the South, Pyongyang has not reported any details of the revised withdrawal plan. Neither this broadcast nor the broadcast of articles appearing in the party and government dailies yesterday attempt to link the delay to problems in implementing the compensation plan.

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[] Pyongyang also broadcast yesterday comments made the previous day by So Chol, the Army's political commissar, on the occasion of Army Day. So Chol took President Carter to task on the withdrawal decision and claimed that "his deeds do not agree with his words." Although this formulation echoed a theme used previously, So Chol stopped short of a broad indictment of US foreign policy. []

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BRIEFS

Cuba-Ethiopia

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[] Cuban President Castro, speaking yesterday at a mass rally honoring Ethiopian Chairman Mengistu, reiterated Cuba's strong support for the Ethiopian revolution but indicated that Cuban troops would not be used to help suppress the Eritrean secessionists. Castro stated that Cuban soldiers would remain in Ethiopia as long as necessary, but he restricted their role to combating "foreign aggression." The Cuban leader repeated his support for a "just political solution" to the Eritrean problem that preserves Ethiopia's territorial integrity. He also promised increased civilian assistance to Ethiopia.

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[] Mengistu, speaking after Castro, indicated that Ethiopia intends to intensify its military campaign against the Eritreans. He repeated his accusations that the Eritreans are supported by imperialism, have rejected peace negotiations, and are trying to "strangle" the Ethiopian revolution. []

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Western Europe

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[] //The 20-nation Council of Europe intends to issue a declaration on human rights at the Council's committee of foreign ministers meeting in Strasbourg today.//

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[] //The declaration, formulated on Belgium's initiative, marks the 25th year of the European Convention on Human Rights. It stresses the Council's resolve to play an active part in strengthening human rights in Western Europe, which it affirms will contribute to the economic and social development of all people.//

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[] //The Council's action draws attention to its long tradition of human rights debate, which has focused most recently on the question of rights violations in Cyprus and Northern Ireland. It also reinforces the European Community's statement on democratic principles and human rights announced at the EC summit on 9 April. []

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